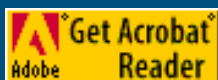


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For Further Information
 Helene Kennedy +1-973-394-9256
 (Mobile) +1-917-254-6706
 helenekennedy@ifac.org
 Bryan Hall +1-212-471-8719
 bryanhall@ifac.org

IAASB Proposes New Requirements for the Audit of Group Financial Statements

(New York/March 24, 2006) -- Proposals designed to enhance the quality of audits of group financial statements are released today by the International Auditing and Assurance Standards Board (IAASB). The IAASB recently approved, and is now issuing, a re-exposure draft (ED) of the proposed International Standard on Auditing (ISA) 600 (Revised and Redrafted), [The Audit of Group Financial Statements](#). The ED is drafted in the new style designed to enhance the clarity of IAASB pronouncements.

Following earlier consultations, the IAASB has modified the proposals and reissued the ED. The primary issues revolve around the extent to which the group auditor needs to be involved in the audits of components that are audited by other auditors, whether these auditors are independent of the group auditor (unrelated) or belong to the group auditor's national or international firm or network of firms (related auditors). The IAASB is, therefore, seeking reaction on the following two specific matters:

- Previous proposals distinguished between the work that the group auditor needed to do, depending upon whether other auditors were related or not. While this may be a relevant factor, the strength of relationships varies, and the IAASB considers that the distinction is not of itself a sufficient basis for determining the group auditor's work. The IAASB has, therefore, proposed eliminating the distinction in the proposed ISA; this has given rise to substantial changes to some of the proposed requirements. Respondents are asked to indicate

whether they are in agreement with the proposal and the effect that it has on the procedures that the group auditor performs in relation to the work of other auditors.

- The proposed ISA is drafted on the basis that a group auditor takes sole responsibility for the audit opinion on the group financial statements. This requires that the group auditor obtain sufficient appropriate audit evidence on which to base such an opinion. Because current group audit practices vary, the IAASB considered it necessary to be reasonably specific about the steps to be taken, and the work effort required, by the group auditor to acquire such evidence when other auditors are involved. Respondents are asked whether this approach is justified.

In addition, respondents are invited to comment on the application of the clarity drafting conventions.

John Kellas, Chairman of the IAASB, explains: "Our proposals respond to public expectations for continuous improvement in auditing standards. In particular, a number of regulatory bodies and studies supported the need for this project. The IAASB has shown itself to be prepared to tackle such major audit areas. The project has not been an easy one, but we are confident that the proposed standard will enhance current practice and promote consistency worldwide."

In developing the requirements and guidance, the IAASB considered regulatory and standard-setting developments around the world, the interests of small entities, and the expectations of various stakeholders.

How to Comment

Comments on the ED are requested by July 31, 2006. The ED may be viewed by going to <http://www.ifac.org/EDs>. Comments may be submitted by email to EDComments@ifac.org. They can also be faxed to the attention of the IAASB Technical Director at +1-212-286-9570 or mailed to the IAASB Technical Director at 545 Fifth Avenue, 14th Floor, New York, NY 10017, USA. All comments will be considered a matter of public record and will ultimately be posted on the International Federation of Accountants' (IFAC's) website.

About IAASB

The objective of the IAASB, an independent standard-setting board within IFAC, is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession. The Public Interest Oversight Board* oversees the activities of the

IAASB and, as one element of that oversight, establishes the criteria for its due process and working procedures.

*** Note to Editors**

The Public Interest Oversight Board was formally established in February 2005 to oversee IFAC's auditing and assurance, ethics, and education standard-setting activities as well as the IFAC Member Body Compliance Program. The objective of the PIOB is to increase confidence of investors and others that such activities, including the setting of standards by the IAASB, are properly responsive to the public interest. PIOB members are nominated by international institutions and regulatory bodies.

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IFAC | 545 Fifth Avenue, 14th Floor | New York, NY 10017 | V: +1 (212) 286-9344 | F: +1 (212) 286-9570